

## PHENOMENAL CHALLENGES OF CORPORATE SOCIAL RESPONSIBILITY

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### ABSTRACT

“The best walks of life is Service to Humanity and Humanity for Service, Extracted the resources for profits, retracted to the sources for social transmutation” - Felix

CSR strengthens business to compete liberalization, privatization and globalization by establishing and maintaining a corporate agenda which recognizes social priorities and is tailored to meet them.

The phase of globalization has come up with a lot of possibilities, CSR is one of them. As a consequence of Globalization and increased competition with MNC's, Indian Companies have shifted from personal interest to the social and environmental interest

Synergizing efforts of Corporate and Social Sector Agencies, CSR is an effective tool towards sustainable growth and development.

The global market has evolved countries beyond frontiers, stimulating unbalanced growth. Simultaneously, resulting in unbalanced development where a division between the rich and poor arises, leading to conflicts socially. At this point, CSR plays a significant role in mitigating the rich and poor gaps. Through CSR a company achieves a balance or integration of economic, environmental and social imperatives, while at the same time addressing shareholders and stakeholders. Corporate Social Responsibility had inbuilt connection in India

This paper attempts in explaining phenomenal compulsions in which Corporate manages between the ends, resolving social problems through CSR practice

**Keywords:** Corporate Social Responsibility (CSR), Challenges, Impact of CSR, Caroll's Pyramid of Responsibilities

### INTRODUCTION

Ancient Indian wisdom teaches us that our first responsibility is towards society, second towards our family and third to ourselves. Social responsibility ought to be the moral obligation of every citizen.

Business depends on the society not only for the required inputs like men, money and skill, but also for market where products may be sold to the buyers. Thus, business depends on the society for existence, sustenance and development. Every decision the businessman takes and every action he contemplates have social implications. Be it deciding on diversification, expansion, opening of a new branch, closure of an existing branch or replacement of men by machines, the society is affected in one way or the other Even routine matters like overtime and night shifts, sub-contracting, and laying off employees due to load shedding have a social impact. Whether an issue is significant or not the business man should keep his social obligations in mind before contemplating any action.

The corporate sector across the world is playing a new role in this competitive era that is to meet the needs of the current generation. Entrepreneurs are serious about responsibilities as their operations impact society and the environment. The aim of the corporate is not only to earn profit but also to develop the surroundings by improving the quality of life and build the leadership that will create trust among the people. CSR represents goodwill creator of the corporates of the present generation. Business requires a stable social environment that provides a favorable climate to trade and for investments. CSR is the means by which a business gets the strength to compete liberalization, privatization and globalization by establishing and maintaining a corporate agenda which recognizes social priorities and is tailored to meet them.

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### Need of Corporate Social Responsibility (CSR)

Service to humanity is the best work of life. If you take from Society then you have to give back in one or the other way. The more you give, more it will add to the wealth, directly or indirectly.

Manufacturing companies play a vital role in the growth and development of countries like India and the health of the company is largely dependent on the society in which it operates in the Domestic and Global economy. CSR reiterates the notion that development of the society is not exclusively the responsibility of the Government; corporate too has a legitimate and responsible role to play for the betterment of the society. If the company spends some percentage out of the profit earned towards the betterment of the society directly or indirectly, then there is a chance that society will in return support the growth of the company. Companies are serving society through the medium of corporate social responsibility and it is seen that Corporate Social Responsibility has always been taken care of by the companies in India after the Companies Act 2013. The Companies started realizing that they would have to rise over and above the Profitability and take care of all those associated with their survival in the society directly or indirectly. Corporate Social Responsibility is a Company's commitment to operate in an economically, socially and environmentally sustainable manner, while recognizing the interest of the stakeholders.

CSR is one such effective tool that synergizes the efforts of Corporate and the social sector agencies towards sustainable growth and development of societal objectives at large. Because of the globalised market, countries without boundaries have emerged, stimulating unbalanced growth. At the same time, this has resulted in unbalanced development where a division between rich and poor arises, leading to social conflicts. At this point Corporate Social Responsibility plays an important role to reduce the gap between rich and poor. Through CSR a company achieves a balance or integration of economic, environmental and social imperatives, while at the same time addressing shareholders and stakeholders. Corporate Social Responsibility had inbuilt connection in India.

Corporate Social Responsibility is one of the important styles in which an organization can distinguish itself from its competitors. A powerful tool like CSR not only enhances the brand image and reputation of the business but also leads to improvement in sales and customer loyalty, and an increased ability to attract and retain employees. Through CSR, the organizations can improve their financial performance and attract more investment with immense economic value. The word CSR has, as a result, occupied a very important place in the plans and strategies of the organizations in the present era.

### **Why Corporate Social Responsibility**

There could be several reasons why companies need to be responsible to society .Each of these makes good 'business sense'.

- Internal reasons like employee morale and customer and shareholder satisfaction.
- External reasons like satisfying local communities, publicity and tax benefits
- Enlightened self-interest wherein a stable social environment and increasing prosperity mean a larger market, and hence more profits in the long run.

### **Concept of Corporate Social Responsibility**

The concept is based on the premises that business has greater impact on society than merely earning profit on capital employed. The idea was suggested by renowned economist Alfred Marshall in 1890.

The Concepts of Ethics, Corporate Social responsibility and sustainable development are emerging as major issues of corporate strategy. Earning profit is crucial for any business organization. Under section 11(2) of Indian Companies Act 1956, a company is formed to "carry on any business with the object of profit or gain". But earning profit is no longer acceptable as the sole purpose of business.<sup>[1]</sup>

One of the most famous and widely accepted conceptualization of CSR known as pyramid of CSR was developed by Carroll (1979) which identified four categories of CSR namely Economic, Legal, Ethical and Philanthropic.

### **Definitions of Corporate Social Responsibility**

The general understanding of the term Corporate Social Responsibility is that business has an obligation to society, which extends beyond its narrow obligation to its owners or shareholders.

### **The World Business Council for Sustainable Development defined**

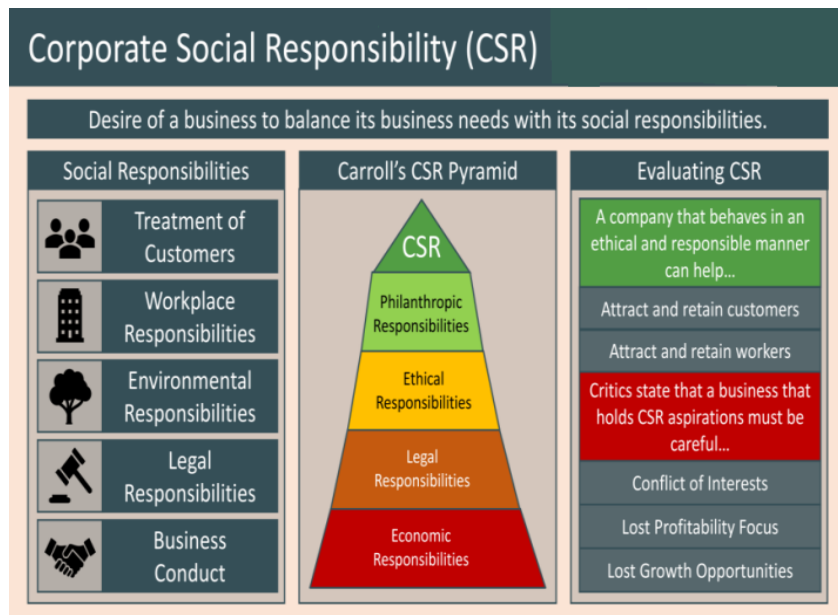
CSR as 'the continuing commitment of business to behave ethically and contribute to economic development while improving the quality of life of their workforce and their families as well as of the local community, and society at large'<sup>[2]</sup>.

**Frederick (1960)** defines social responsibility as the use of society’s resources, economic and human, in such a way that the whole society derives maximum benefits beyond the corporate entities and their owners. Keith Davis (1960) set forth his definition of social responsibility by arguing that it refers to “businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest”<sup>[3]</sup>

**Milton Friedman (1970)** Milton Friedman’s beliefs that "there is only one responsibility of business, namely to use its resources and engage in activities designed to increase its profits The inclusion of strategic philanthropy, innovation, environmental sustainability and transparency demonstrate how diverse and far reaching CSR has become embedded into management strategy and most recently, corporate financial performance and the measurement of CSR activities is causing corporations to understand the strategic value of CSR through the realization of the implication to a business”.<sup>[4]</sup>

**Carroll’s Four Part Definition**

CSR encompasses the economic, legal, ethical and discretionary (philanthropic) expectations that Corporate Social Responsibility (CSR) is a concept whereby organizations consider the interests of society, based on the impact of their activities on customers, employees, shareholders, communities and the environment, for all aspects of their operations. Corporate Social responsibility is best defined by the World Business Council as “The continuing commitment by business to behave ethically and contribute to economic development, while improving the quality of life of the workforce and their families as well as of the local community and society at large”.<sup>[5]</sup>Carroll’s Pyramid of Responsibilities <sup>[6]</sup>



The four-part definition of CSR was originally published in 1979. In 1991, Carroll extracted the four-part definition and recast it in the form of a CSR pyramid. The purpose of the pyramid was to single out the definitional aspect of CSR and to illustrate the building block nature of the four part framework. The pyramid was selected as a geometric design because it is simple, intuitive, and built to withstand the test of time. Consequently, the economic responsibility was placed as the base of the pyramid because it is a foundational requirement in business. Just as the footings of a building must be strong to support the entire edifice, sustained profitability must be strong to support society’s other expectations of enterprises. The point here is that the infrastructure of CSR is built upon the premise of an economically sound and sustainable business.

At the same time, society is conveying the message to business that it is expected to obey the law and comply with regulations because law and regulations are society’s codification of the basic ground rules upon which business is to operate in a civil society. If one looks at CSR in developing countries, for example, whether a legal and regulatory framework exists or not significantly affects whether multinationals invest there or not because such a legal infrastructure is imperative to provide a foundation for legitimate business growth.

In addition, business is expected to operate in an ethical fashion. This means that business has the expectation, and obligation, that it will do what is right, just, and fair and to avoid or minimize harm to all the stakeholders with whom it interacts. Finally, business is expected to be a good corporate citizen, that is, to give back and to contribute financial, physical, and human resources to the

communities of which it is a part. In short, the pyramid is built in a fashion that reflects the fundamental roles played and expected by business in society. Figure 1 presents a graphical depiction of Carroll's Pyramid of CSR. [7]

### **Challenges Faced by Indian Corporate**

Firmly, the conceptualization of CSR is deeply rooted on the global business agenda, given to the fact of moving from theory to concrete action, surviving numerous snags. The key challenge facing business is the need for more solid and reliable indicator of progress in the field of CSR, contemporaneously with the dissemination of CSR strategies. Transparency and discourse assists in making business more credible, trustworthy and push up the standards of other organizations at the same time.

A lack of understanding, inadequately trained personnel, non-availability of bonafide data and specific information on the sorts of CSR activities, coverage, policy and so forth further adds to the reach and effectiveness of CSR programmes. But the situation is changing.

Commonly apparent are the following challenges faced by CSR entities :

- Rarity or lack of community participation in CSR activities
- Essential to strengthen the local capacities
- Issues of transparency
- Well organized NGOs are scarce
- Narrow perception towards CSR initiatives:
- Non-availability of clear CSR guidelines:
- Lack of consensus on implementing CSR issues:

India's tryst with fate proclaimed over 60 years back, is yet to be satisfied in all development aspects, especially in bridging the gap between the urban and rural India. The corporate India based in cities flourishing and marching ahead over the years amidst rural India remaining in frantically poor, has been playing a key role in bridging the gap between the rural and urban India.

The success of CSR lies in practicing it as centrifugal part of a company's development strategy. It is important for the corporate sector to identify, promote and implement successful policies and practices that achieve triple bottom line results. It is a combined and shared responsibility of civil society, activist groups, Government and corporate sector to create appropriate means and avenues for the marginalized and bring them to the mainstream.

To create a win-win situation, it is quintessential to mitigate wretched destitution and improve hopeless day to day environments that exist in rural India.

### **SUGGESTIONS**

To meet the desires of all our stakeholders, we must encircle ourselves with all components of business and society. Corporate competitiveness is halfway founded on capacity to adapt products, services and management to the challenges of continually evolving social orders. To do this, we need to identify, support and develop the best CSR initiatives. In order to crystal gaze the future of CSR in India and take time bound steps to mainstream it, few recommendations are suggested.

1. Effectiveness in CSR is brought by awareness to the general public
2. CSR as a subject or discipline should be made mandatory at B-schools, in colleges and universities to sensitise students about social and development issues
3. To develop partnerships between all stakeholders including the private sector, employees, local communities, the Government and society.
4. Corporate houses and NGOs ought to effectively engage with pooling their funds and building collaborations to actualize best CSR practices to scale up ventures and improve new ones to contact more recipients.
5. Lay more focus on education, health, environment protection, livelihood, women empowerment, disaster management, green marketing, ethical practices, etc., and other social and community relevance issues
6. To underline the Government 's policy documents to ensure public co-operation in planning process of CSR initiatives
7. A growing number of corporate feel that CSR is not just another form of indirect expense but is important for protecting the goodwill. altruism, notoriety and reputation, defending attacks and increasing business competitiveness.
8. Research by global organizations pointed out that business leaders must be the most credible, most ethical, least corrupt and most value-driven in the world. Regardless of the label, the

dominant paradigm underlying corporate social responsibility is centered on the idea of creating –shared value.

9. Partnerships between companies, NGOs and the government should be facilitated so that a combination of their skills such as expertise, strategic thinking, manpower and money to initiate extensive social change will put the socio-economic development of India on a fast track.

## CONCLUSION

There is evidence that the ethical conduct of companies exerts a growing influence on the stakeholder's decisions. Simply launching charitable trusts and foundations when the workplace environment is vitiated does not serve the company's purpose. Presently in India, it is hard for one sole entity to bring about change, as the gauge is vast. Large enterprises can no longer continue to focus only on economic performance, without paying attention to what is happening around them. Hence, the overriding conclusion is that companies need to be mature and realize that they must practice socially conscious policies.

Evidences say, that ethical conducts of companies, exerts surging influence on the stakeholder's decisions. Launching charitable trusts or foundations, in a vitiating workplace atmosphere, is opposed to the company's vital purposes. India in current scenario, with magnanimous sociological factors revolving, arduous would it be for a solo entity to bring a change. Therefore, entities must move from infancy to maturity by realizing the exercise of socially conscious policies, would benefit all.

To conclude CSR as a business imperative must not be acknowledged hesitantly or pitifully. Rather, it must be practiced with full vigor and straight from the heart passion and this certainly helps the companies' over the long run meaningful impact on society and its future is bright in coming years. All things considered, business is by the society, for the society and of the society at large.

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